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SECURITY INFORMATION~~

75904

10 February 1953

MEMORANDUM FOR THE ACTING DIRECTOR OF CENTRAL
INTELLIGENCE

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SUBJECT: Revision of SE-27

1. While there is controversy on the amount of Communist China's seaborne trade, it is tentatively estimated that Communist China's seaborne imports from all areas (not including Communist China's inter-coastal trade), total approximately 5,700 metric tons per day. These imports consist primarily of petroleum, metals, manufactures and machinery, chemicals, dyes and drugs, paper, sugar, fertilisers, cotton, and gunny bags. Chinese Communist imports by sea include a small proportion of the total POL requirements of the domestic economy and the Korean war. It has also been tentatively estimated that Communist China carries 8,000 tons per day of its internal trade by coastal vessels. The largest proportion of this trade includes the movement of bulk cargoes, particularly coal and POL from north China and Manchuria to Yangtze River ports.

2. A naval blockade would cut off practically all of the 5,700 tons per day of seaborne imports and a substantial proportion of the coastal trade. This would not have any short-term effect on Communist China's capability to continue military

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operations in Korea. The railroads of China proper could continue to deliver manpower, food, clothing, and arsenal production to North Korea, and the Manchurian railroads have ample capacity to deliver the military equipment which has always been delivered overland from the USSR on the Trans-Siberian Railroad.

3. The long-term effects of cutting off Communist China's seaborne imports and a substantial proportion of the coastal traffic need re-study. It is believed that the railways of China and Manchuria are now operating close to the maximum capacity of the available rolling stock. It is believed that considerable rolling stock has been moved from southern China to north China and Manchuria and that current capacities in Manchuria and north China are much higher than in central and south China. The UCSR is believed to have the capability to supply China over the Trans-Siberian with additional tonnages of goods equal to or greater than the 5,700 tons a day now coming in by sea. We cannot now calculate the cost of this effort to the USSR, but do not believe it would place a serious strain on the USSR. The USSR could not, however, provide such items as raw rubber, raw cotton, and gunny bags which Communist China now obtains from non-Bloc sources. Moreover, it is doubtful if Communist China could receive and distribute

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from the USSR an additional 5,700 tons per day unless and until its supply of rolling stock is increased. Communist China also would not be able to transfer to inland transport systems the tonnage now carried in coastal trade. Some adjustments would be made to carry the most essential traffic, and the remainder would be cut off until the rolling stock was increased.

4. The net result of a blockade, therefore, would be a serious dislocation of the Chinese Communist economy within a fairly short period of time. Over the longer term the national power and over-all capabilities of the Chinese Communist regime almost certainly would not increase and would probably decline. This estimate cannot be made with confidence without further study, however, because of the capability of the USSR to assist Communist China in increasing its internal transport capacity, and to provide the goods — relatively small amounts in terms of total Bloc production — essential to the maintenance or modest expansion of the Chinese Communist economy.

5. The effects of a blockade on Communist China's intentions toward the Korean war have not been estimated by the DDC. Communist China, if faced with the prospect of a long-term deterioration of its national power might desire an early end to the conflict. On the other hand, the will of Communist China

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to combat the West might stiffen, particularly if Communist China received assurances from the USSR that the essential requirements of the Chinese economy would be met from Soviet Bloc sources.

6. Recommendation: Since the publication of SE-27 there has been an upward trend in Communist China's seaborne imports, and there is now controversy over the current level of Communist China's seaborne imports. There has also been an upward revision of the estimate of the capacity of the Trans-Siberian Railroad. Estimates now in preparation indicate a higher rate of growth of Bloc production. The consequence of these developments is uncertainty concerning the validity of some parts of SE-27. For this reason, and because of the desirability of a firmer estimate of the effects of a blockade on probable Chinese Communist courses of action in Korea and elsewhere it is recommended that SE-27 be revised on an urgent priority.

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Acting Assistant Director
National Estimates

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